

# Ulster Bank Construction PMI<sup>®</sup> Report (RoI)

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## Rate of job creation quickens amid further sharp rise in activity

The Irish construction sector continued its strong start to the year in February, seeing further sharp increases in activity and new orders, and a faster pace of job creation. Marked increases in demand for inputs to support growth of activity led suppliers to increase their prices and resulted in delays in receiving purchased items. The **Ulster Bank Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** – a seasonally adjusted index designed to track changes in total construction activity – posted 59.2 in February, down from 61.4 in January but still signalling a substantial monthly increase in activity during the latest survey period. Activity has risen continuously on a monthly basis throughout the past four-and-a-half years. The latest expansion was linked by panellists to improving market conditions and greater client activity.

**Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:**

*“Building on the very positive start to the year noted in last month’s report, the February results of the Ulster Bank Construction PMI survey indicate that Irish construction firms continue to report very rapid expansion. While the headline PMI eased back from the eight-month high recorded in January, at 59.2 it still remains at very elevated levels consistent with robust growth in activity. Particularly encouraging was a further acceleration in Housing activity where growth picked up to a ten-month high, leaving it as the strongest performing sub-sector last month. Growth in Commercial activity was also very strong, albeit that the pace of expansion eased slightly in February. And Civil Engineering recorded a welcome third consecutive month of expansion, though the pace of growth was more modest than in the other sub-sectors.*

*“The February results mark four and a half years of continuous expansion among Irish construction firms, and forward-looking elements of the survey suggest that near-term prospects remain positive. New orders continue to increase sharply, while there was also a strengthening of confidence about the year-ahead outlook. Sentiment rose to an eight-month high and was one of the strongest readings since the survey began over seventeen years ago, with over 60% of firms anticipating further activity gains in the coming twelve months.”*

### Sharp and accelerated rise in housing activity

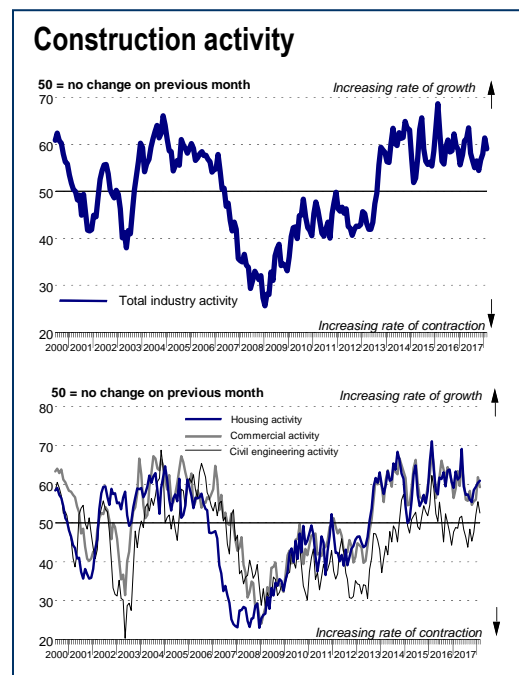
All three categories of construction covered by the survey recorded increases in activity in February. The fastest expansion was on housing projects, where the rate of growth quickened for the fourth consecutive month. Commercial activity also rose sharply, while a more modest increase was seen for civil engineering. That said, the sector has now recorded three successive monthly rises in activity.

#### Latest Construction PMI<sup>®</sup> readings

	Jan'18	Feb'18
<b>Total Activity</b>	<b>61.4</b>	<b>59.2</b>
Housing Activity	60.4	61.0
Commercial Activity	61.9	59.3
Civil Engineering Activity	55.6	52.7

*Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.*

*Sources: IHS Markit, Ulster Bank.*



## Further strong expansion of new business

New orders increased sharply, with the rate of growth little-changed from January's six-month high. Panellists linked higher new business to improving conditions in the wider economy.

## Fastest increase in employment for six months

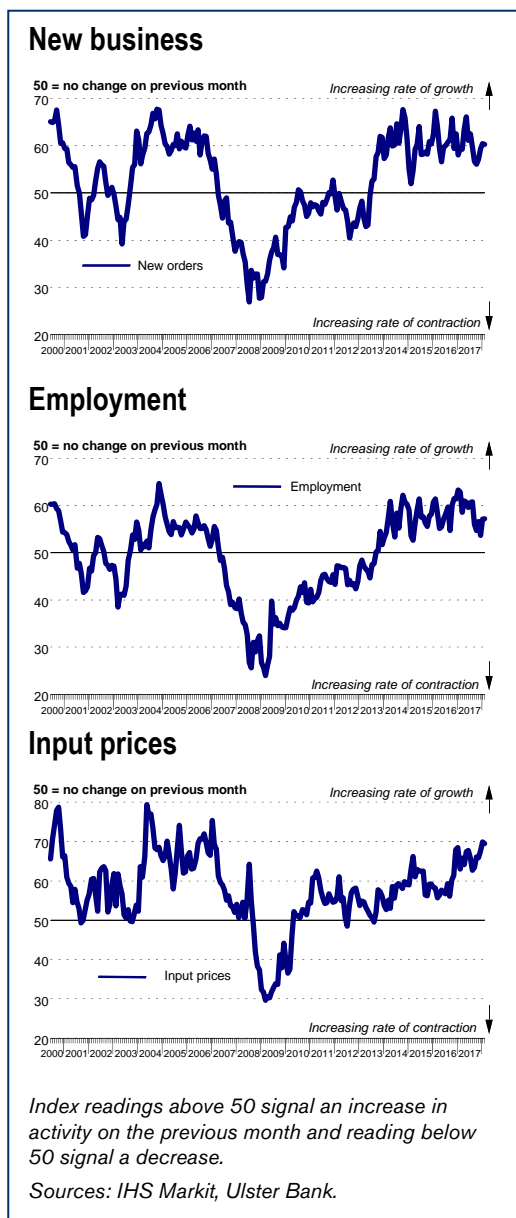
Constructors responded to rising workloads by taking on extra staff. Business expansion plans were also mentioned by some firms. The rate of job creation was substantial and the fastest in six months.

Higher new orders and efforts to replenish stocks led companies to increase their purchasing activity in February, extending the current sequence of growth to four years.

This increase in demand for inputs impacted supply chains. Vendor delivery times lengthened to the greatest extent in seven months amid stock shortages at suppliers.

Meanwhile, suppliers were able to take advantage of higher demand to raise their selling prices during February. Consequently, the rate of input cost inflation remained sharp, easing only slightly from January's recent peak.

Improving economic conditions and market confidence led to optimism among companies that construction activity will increase over the coming year. Moreover, sentiment strengthened and was one of the highest recorded in the survey's history.



## Press information

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